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## 'Pool' system: farmers face profit dive

FARMERS who heeded exhortations to put up stock on their own account through a "pool" system, instead of accepting meat schedule prices, are facing a financial loss for their efforts.

The drivers' strike in Britain, on top of other factors, has increased their gamble to a dangerously high point in a situation where prices fetched are bound to be comparatively low.

More New Zealand farmers offered their stock to freezing companies on a pool basis this season after an initially low meat schedule announced at the start of the season.

The low schedule took into account a weaker market overseas, plus wage increases for company employees. Wage settlements late last year lowered the schedule further.

New Zealand Meat Producers Board and Federated Farmers spokesmen urged farmers to offer stock on a pool basis because they claimed the schedule was too low and that the meat companies could have absorbed more of their cost increases.

The gamble was that by taking such a step farmers

would gain more when their stock was sold on the British market, instead of accepting what the companies wanted to pay.

Initially, the gamble was a reasonable one, but has turned into a bad one.

The drivers' strike in Britain, combined with port pickets in support of their wage claims, effectively halted supplies of New Zealand meat to Britain.

Some 9000 tonnes of lamb are scheduled to reach Britain this month, and a further 35,000 tonnes next month.

Talks aimed at ending the strike broke down again last week, and unless it ends soon, shipping schedules may have to be re-arranged and some diverted to continental ports.

One farming source recalled that the last time this happened, New Zealand producers lost \$100 carcasses.

The harsh truth is that during the strike British housewives will simply get by without New Zealand lamb and mutton. Even when the strike is over, no great surge in demand can be expected, although the Meat Board will be hoping for some results from a massive advertising

campaign it has scheduled.

Large amounts of meat will arrive on the British market once the strike is settled, and prices will naturally drop.

This means that the prices gained by producers who put up their stock on a pool basis will get so much less.

Some 20 per cent of New Zealand farmers use this system, although the percentage differs from works to works — some have a monthly pool, others take stock on "consignment". It means that farmers take up to 85 per cent of the schedule price for their stock, and then take what the exporting companies get on the open market, less interest, for the remaining 15 per cent. Usually it pays off.

The Meat Board and the Meat Exporters' Council have agreed to take action so that shipment and storage of New Zealand lamb is regulated, and there is a satisfactory flow on to the British market for the next few months, which are considered to be critical and likely to be "most severe", according to a joint statement from the two bodies.

But there is an added complication. If New Zealand

were the only supplier, the situation could probably be handled. Unfortunately, it is not.

The situation in Iran has thrown meat marketing into a whirlwind, and Australian exporters are desperately trying to get rid of tonnages that would have gone there.

Meat export officials agree the readiest market is Britain, and once the Australians start "dumping", prices will drop markedly, in spite of New Zealand's attempts to keep prices at a reasonable level for the producer.

The strike's effects, the

Initial weak market and the chaos in Iran have combined to turn the gamble of the farmers who chose the pool system into a losing proposition.

They may yet get a reasonable price for their produce, but the chances of their bettering the initial meat schedule prices offered are slim.

Exporters themselves are probably losing money on their schedule prices at the moment, and these can be expected to drop further this season as the meat companies try to recoup their losses.

**Inside**  
THE Apple and Pear Board has announced a new deal for apple growers. Warren Berryman backgrounds the move...he listens to dissident growers' demands for a free market and inquiries into the black marketing of forbidden fruits — Page 15.  
THE road transport industry has been trying to operate under a law found to be riddled with anomalies. Belinda Gillespie investigates — Page 8.  
AIR New Zealand has clouded the cost of being shut out from the Australia-United States low fares agreement. We lift some of the cloud, find the tourism industry of home in bad shape, and anticipate Government moves to curb expenditure overseas by New Zealanders — Page 11.

## Lotto study: dept to show hand

by Rae Mitzengarb

THE Internal Affairs Department study into the running of a national lotto game similar to Australia's Tattolotto is nearing completion and will be presented to Government in a matter of weeks.

Internal Affairs Secretary J N L Searle said departmental officers had been in Sydney, Melbourne and Adelaide looking at the lottery systems in operation there to assess the merits of each.

The report will include an assessment of a controversial new lottery introduced to South Australia just before Christmas.

After only three weeks trial in Adelaide the "instant money game" was a sell-out success. South Australians spent \$4 million and received \$2.4 million back in prizes.

Lottery commissioners and officials from all states have been carefully monitoring its operation in anticipation of running their own versions of the game. Tattersals intends to introduce the game to Victoria in May this year.

But retailers, church leaders, psychologists and politicians have attacked it.



INTERNAL AFFAIRS SECRETARY SEARLE

They say the game is no different in principle from a poker machine and encourages some people to continue playing until they lose all their money.

The instant money game has been described as a "kind of super beer ticket".

Each ticket — which sells for \$1 — contains six small panels.

To win or lose, the player rubs the surface of the panels with a coin to reveal six dollar amounts. A repetition of three figures wins prize amounts of between \$2 and \$10,000.

The success of the game — which was first tried in

America three years ago — is linked to the fact that players know instantly if they have won.

"It's a bit like a cardboard poker machine," said Searle, but "just another alternative of gambling."

The Internal Affairs officers have been working on the study into the organisation, management and procedures of lotto games since October last year. That's when former Internal Affairs Secretary Sir Patrick O'Dea — originally appointed to undertake the work — withdrew in response to criticism by racing interests.

Various racing committees saw the introduction of a lotto game as disastrous to racing and queried the propriety of Sir Patrick — who is deputy chairman of the Racing Authority — carrying out the study.

Though the report will be presented to the Government shortly it is unlikely that a decision on the introduction to New Zealand of a new lottery will be made hastily, because, any innovation could well succeed at the expense of other games of chance, especially racing and traditional lotteries.

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# Import licensing under fire at ANZAAS

Thus Orewa is no dispassionate economic assesment, but a political

But it would be surprising if he were unaware of the disquiet his election speeches



and objectives (some mention was made, I note, of restructuring to come) and nudge the interest groups towards appropriate attitudes and action.

The Press complained of the lack of a clear statement of general policy and intentions.

The papers' scepticism was in tune with their influential readers who sang a chorus of disappointment and criticism. The best that could be mustered was, even then,

dismal. During the period 1973-1978, New Zealand's total percentage growth in real GNP was the lowest of all industrialised countries — 1.5 per cent versus 23.8 per cent for Japan or 10.2 per cent for

Carpinter's criticisms of import licensing parallel those already made by the World Bank, the IMF, the OECD, GATT, and many of our



production quickly to meet changes in world demand. Growth in New Zealand exports was below world growth rate levels and the country lost its market share.

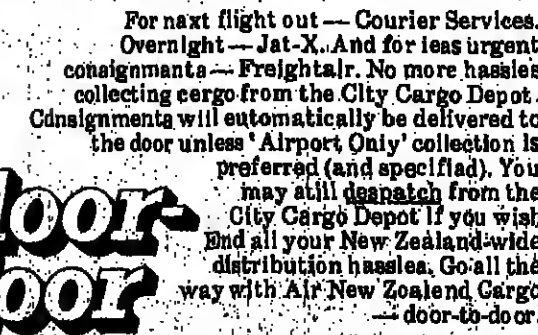
The cause of this decline in production is important. Cerpinter said is important licensing.

While Carpinter confined his analysis to the question of protection on the border against foreign imports, he concluded saying these arguments also applied to

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## EDITORIAL

LATE last year, six footballers were given the Rugby Union's blessing to go to South Africa when the NZRFU reversed its decision in October which refused permission for them to go. But under the Gleneagles agreement, Commonwealth governments agreed to do all in their power to discourage sporting contacts with South Africa, and Foreign Minister Talboys sent a strongly worded letter to the rugby union, warning of the "serious international implications" of its decision to accept the South African invitations.

The rugby union was unmoved and last week declared that it saw no need to indicate disapproval of the trip to the six players. Further, NZRFU chief Cos Blissett argued that the controversy wasn't one for the rugby union to resolve; rather, "With respect, this is surely a matter for governments."

At the opening of the election campaign on October 30, Muldoon seemed at pains to spell out what a National Government would not do on the vexing question of sports ties with South Africa. "Decisions on international sporting contacts will be made not by the Government, as in many countries today, but by the individual sporting bodies themselves. The New Zealand Government will not withhold passports from its sportsmen, when they wish to travel overseas, nor will it withhold visas from visiting sportsmen who have broken no law. Those principles are embodied in the Gleneagles agreement at the insistence of New Zealand. We are not pro-apartheid, we are anti-apartheid, but equally we stand to preserve the freedom of New Zealanders and that is where we differ from the Labour Party."

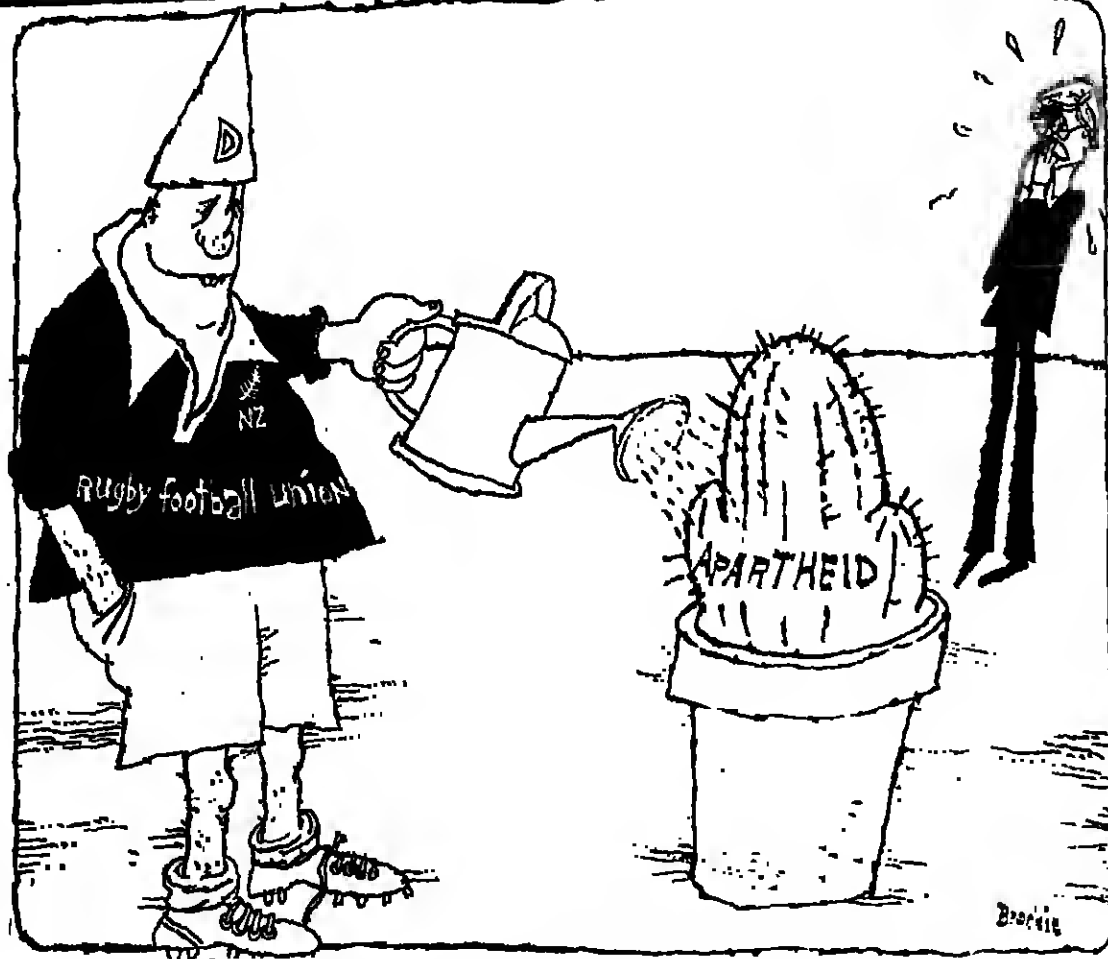
But even if the Gleneagles agreement required no more than that the Government exhort the NZRFU to prevent the All Blacks from going to South Africa, the Muldoon administration's efforts have been lamentably inadequate. Muldoon was both an author of and signatory to the agreement, but he has given no effective support to his Minister of Foreign Affairs. A number of press gallery journalists have put questions on the subject to him in writing through his press office, but the Prime Minister repeatedly has declined to be interviewed. Nor has he responded in writing. Acting Foreign Minister Adams-Schneider showed a similar lack of enthusiasm about answering questions last week. He refused two television interviews, and an impromptu press conference resulted only because he was cornered by reporters in the corridors of Parliament Buildings.

On the other hand, the new Minister of Maori Affairs, Ben Couch, has declined to support continued sporting ties with South Africa. And former MP Hubert Fenton was reported as saying he did not know any MPs who wanted the Government to actively discourage the All Blacks. He claimed, too, that the Prime Minister was lukewarm "over the whole thing".

The lack of support Muldoon is giving his deputy on apartheid sport is as damaging to Talboys' credibility on his unwelcome involvement in industrial relations matters as hampered Peter Gordon's effectiveness last year. For example, Labour Minister Gordon was among those who had favoured a call by union and employer representatives on the Industrial Relations Council for an immediate moratorium on ballots. Caucus rejected the idea. Later the decision to force the Clerical Workers Union to go compulsory was announced by Muldoon at an election meeting in Hastings. Muldoon also gave reporters a statement attributed to Labour Minister Gordon that the union had had plenty of time to comply with the law and supply a list of names. Gordon would have won widespread respect if he had disassociated himself from the cynical and provocative action, and resigned.

It is Talboys' last term in Parliament. Surely he has nothing to lose by resigning from a Cabinet which is so half-hearted about its support for him. He, at least, could then retire with dignity.

Bob Edlin.



## Beating inflation by investing in . . . furniture

IF you bought good pine furniture or quality tin toys in 1978 the value of your investment has probably kept well ahead of inflation. London Financial Times arts editor Antony Thorne reports on experts' predictions of the best buys in 1979.

Works of art have been collected for their commercial value for centuries, but it is only in the last few years that the international traffic in antiques has made serious investment by companies, as well as individuals, a realistic proposition.

But art has its ups and downs as much as any stock exchange. The Japanese who rushed into the pictures of the Impressionists in the early 1970s must still be turning paintings which are far from approaching even the pre-inflationary prices they paid for them, and the great silver boom of the same time must also have cost many speculators dear. There is potential in antiques, but only for the experts or the well-edited.

The great London salerooms acknowledge the investment element among their buyers but rarely pander to it. For them, works of art are best collected for the aesthetic pleasure they provide. Phillips, however, third in size but often first in initiative, each year asks its hundred top specialists for their tips of the areas most likely to appreciate in price during the next 12 months, as well as naming the items in their own fields which have shown the highest rises in the past year.

The best bet for 1979 is the best bet for 1978 - good quality furniture. But the second most popular choice, jewellery, takes the lead if it is linked with other small portables, such as stamps, coins, gold and silver boxes, miniatures, watches and small silver. Other choices include Old Master drawings, sporting guns, books, toys, art nouveau and deco, Victorian paintings, bracket clocks, fine old cars, Islamic pottery and musical instruments.

In more detail, this is how the various experts reviewed the pacesetters in their particular fields and their predictions for 1979. In furniture, the objects most in demand were sets of chairs, oak of all periods, Edwardian and Victorian furniture, including reproductions, decorative conchoidal, and Dutch marquetry. The tips for this year are 18th century mahogany and progressive furniture from 1800 onwards. The best hedge against inflation in furniture were reckoned to be good Victorian and Edwardian, and pine, in the under 500 pounds bracket; early oak in the 500-2500 pounds range; and over 2500 pounds Queen Anne and George I walnut, and oil good period English furniture.

Among the paintings, the 1978 front runners were quality Victorian pictures, especially the academic and decorative, Dutch marines, English late 18th and early 20th century landscapes, signed and dated early English and Victorian watercolours, and period sporting and topographical prints. The tips include English 18th century paintings; English watercolours; and marines, while the hedge are, at under 500 pounds, original artists' prints; up to 2000 pounds, Victorian painting and good topographical marine and sporting prints; and, at the higher levels, Dutch marine and 19th century interiors, and the best Old Master engravings and drawings.

In ceramics and glass, Phillips saw most price appreciation in coloured Worcester, Delft, slipware, Wedgwood figures, French paperweights, Masons ironstone, continental enamel boxes, and finely engraved

glasses. It foresees potential for 20th century Royal Worcester figures and outdoors, 18th century continental figures, 19th century drinking glasses and fine enamel glass, and 19th century engraved glass. The inflation hedge are 18th century English tea-ware and drinking glasses, plus Royal Worcester figures in the lowest price range; and unusual Delft, important 18th century Worcester, Wedgwood and Derby, come and thin slipped and Delft enameled glass in the middle and higher price ranges.

Nowhere in the specialist items which should beat inflation, the Phillips experts favoured the lowest price (below) Victorian helmets and uniforms, ear masks, small ivory, English hand-made silver watches, pewter, George II teapots, and Ming bronze figures. Above 500 pounds, the best tips were quality tin toys, dolls, iron, nautical, Victorian silver, bracket clocks and jade, while in excess of 2500 pounds enthusiasts investors might think about fine arms and old cars, early Islamic pottery, atlases, Lalique glass, candelabra and 18th century clocks.

Of course all the London salerooms want to attract more buyers of works of art, especially now that all four main auction houses charge a 10 per cent buyer's premium on every lot sold. This premium has been introduced because the salerooms are competing furiously for goods, and now only dare ask 10 per cent, or even less, in commission from vendors.

Phillips tried to hold out against the buyer's charge, but found that it could not persuade sellers of large collections to use its auction house. Sotheby's and Christie's were able, because they were

also collecting from purchasers, to quote very high commission charges to sell and to appropriate many of the most attractive items. Sotheby's also levies 10 per cent on both parties.

Even so, all four salerooms had a very good 1978. Phillips and Hunkins continued to operate throughout the year and were able to give year-end figures of 27.4 million pounds and 2.3 million pounds respectively, rises of 19 and 23 per cent. But they are no undervalued by Sotheby's and Christie's which, because they close down in the summer, issue special figures for the autumn sales season.

Between September and Christmas, Sotheby's work was brought in 71.75 million pounds, a rise of 38 per cent on the corresponding months of 1977, while Christie's achieved a 40.7 per cent gain to 61 million pounds.

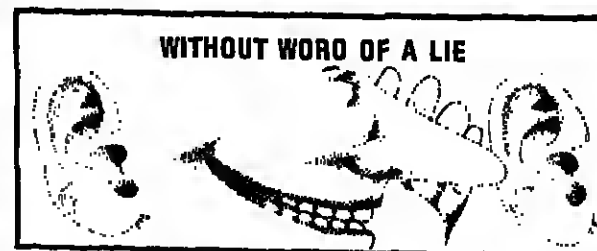
Both the major salerooms rely greatly on their overseas sales to maintain their extraordinary growth rates. In recent months, for Sotheby's, it has been its British salerooms that have made most impact, showing a 38 per cent increase to 30.8 million pounds as against a 13.9 per cent improvement in New America, to 24 million pounds. In recent years, it seems likely that New York would replace London at Sotheby's most important centre, but now lies in the more distant future.

For Christie's New York where it has been active for only a year, still has only a tremendous potential, as evidenced by the autumn 100 per cent to 11.5 million pounds. Between them, Sotheby's and Christie's only dominate the fine art world in Britain, through their growing international links, they are antiquaries, a multinational market and one well-served by the international art world.

There is a growing debate with published targets and a wealth of other economic information, while our Treasury and Reserve Bank feed the press with information that is out of date when printed, saving up their prime tidbits of information for selective political use by their political masters.

Bayliss did call for more published information from the Government to fuel public debates. But the examples he cited were ex post facto bits of information such as the public accounts, rather than information on which the public could base investment decisions, such as a monetary target.

Nor did Bayliss point out the economic advantages of governmental frankness. Governmental frankness, including statements of policy intent, have created a climate of rational expectations in Germany and the United States which might account for the informed long-range investment planning and good



industrial relations found in these countries.

By contrast, New Zealand businessmen have no inkling of which way their Government is likely to jump next - now that the season of election bribery is over. This might explain industry's reluctance to invest in new equipment, raw material stockpiles, or take on new labour - surprising now that the leading institutions are awash with liquidity.

Lacking a clear statement of governmental intent, industry will fall on rumours and speculation, travelling its traditional stop-start, crash-bang course, from hedging

qualified to predict the growth in the money supply in spite of all its powers to manipulate the economy.

All of which makes us wonder if we wouldn't be better served by the invisible and omnipotent hand of Adam Smith, rather than by an ill-informed Government manipulator?

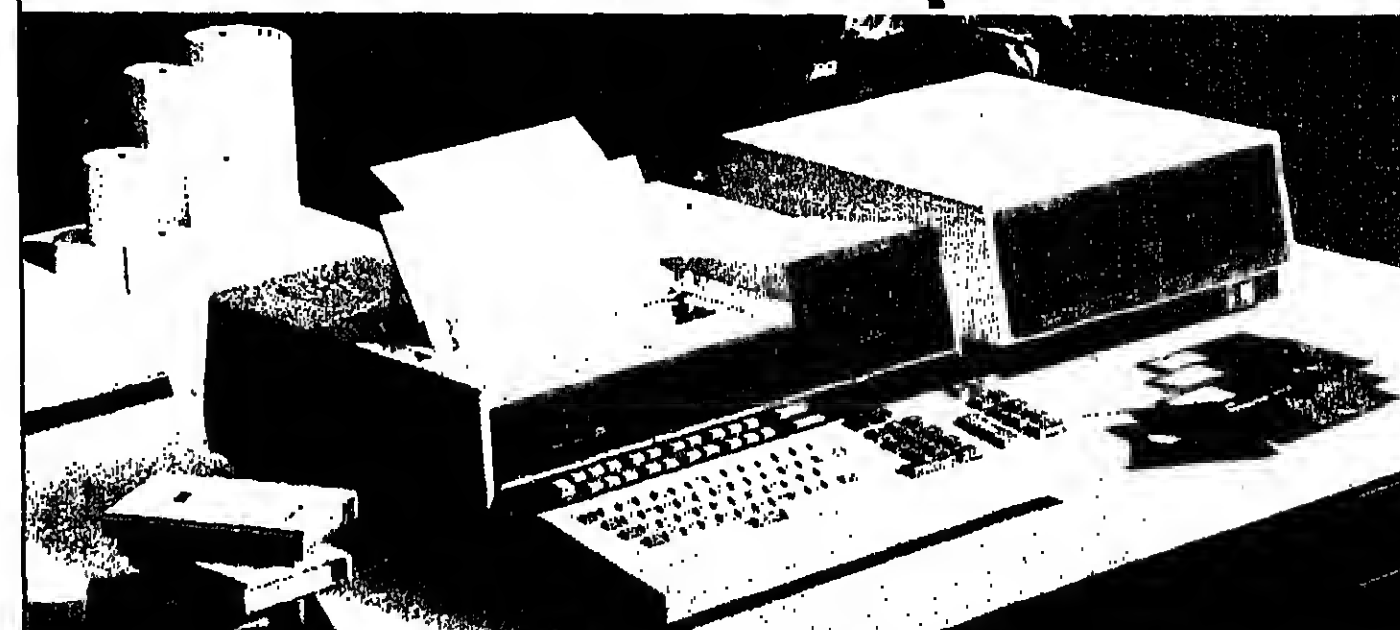
MAUT gas will improve this country's balance of payments by \$100 million in the first year of production and \$150 million in the second year. . . or so the PM told us in his state of the nation speech at Orewa.

They suspect, in fact, that as far as the balance of payments is concerned, New Zealand might have been better to have left Maui undiscovered.

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## Energy surplus

SURE, we have a predicted excess of electricity generation capacity; but we had one 15 years ago, too — and Comalco was the result! Since the Germaco (and other potential energy customers) aren't fooling, they're not going to fall into the trap that NZAS was forced into. So, if they're going to be expected to pay a "reasonable" price for their energy, why should they bother to come here in the first place?

We must not forget that the "surplus" generating capacity lies generally in our expensive, or old, North Island thermal electricity generation plant, which would be the first to be shut down. It is this capacity that would be displaced by hydroelectricity from the South Island, via the existing or new Cook Strait cable. The "surplus" power is therefore not "cheap" — it is in fact the most expensive power that we generate! If the rest of the country is not to be expected to subsidise new energy-demanding industries, the

price to be charged for such power must be at least a reasonable proportion of the "real" cost.

The current situation is a direct consequence of short-sighted decisions over the last ten or fifteen years. Comalco, the Committee to Review Power Requirements, and the Government can all be blamed, but what's the point? If we want to have a meaningful national energy policy, let it be one which aims at serving and optimising New Zealand's future, not one that is used to disguise economically and politically inept decisions of the past.

N J Peet,  
Senior lecturer,  
Dept Chemical  
Engineering,  
University of Canterbury.

THE front page story on the Comalco-Cook Strait cable (December 12, 1978) could do with a little more filling out. The fundamental point that emerges from the recent announcements on ways and means of disposing of the surplus South Island electricity is, quite simply, that New Zealand has over-invested in electricity



LETTERS

generation. Simple economics says that unless there is at least promise of a full return on an investment in any particular project, that investment is not justified in the absence of any over-riding social or other non-economic argument.

There seem never to have been any comprehensive economic analyses of the power plan, despite the fact that in recent years it has accounted for over 30 per cent of Government capital expenditure. At the Royal Commission on Nuclear Power, Treasury officials could say virtually nothing on this issue, to the surprise and consternation of many present. However, many people would agree that the

simplest method of ensuring that new investment in electricity is economically justified would be to charge for electricity at marginal costs, ie the cost of production in the newest stations, or those under construction. This is a policy advocated by the original Holmes Task Force, the International Energy Agency, and in oblique fashion in Goals and Guidelines. It is generally considered that marginal costing would raise electricity prices a further 30-50 per cent, and to ensure that investment in electricity is justified in economic terms, we should be assessing the free market demand for electricity at these prices. Currently, valuable capital, or expensive foreign loans, are being squandered in building power stations to produce electricity that will be sold at below costs of production.

It is already obvious that, at current prices, demand for increased supplies of electricity is limited. The heavy industrial concerns that provided so much of the market growth over the last decade seem to have lost interest, while demographic

shifts and the rise of alternative sources of domestic heat have curtailed growth in the domestic sector. And anyway, growth over the period 1967-78 was stimulated by a rapid decline in the real price of electricity. Adoption of marginal costing would further curtail growth in electricity demand, and the market message would be to switch investment away from electricity supply.

Considering that New Zealand is already one of the most highly electrified countries in the world, in terms of electricity consumed per unit of GNP, and delivers a higher proportion of consumer energy in the form of electricity than any country except Norway, such a message can hardly be considered surprising. If we used electricity to the maximum allowed by present technology in our energy problem area, which is of course transport, we would make only limited impact on the looming surplus, and there is even electricity available to totally electrify transport, and even electricity feasible.

Indeed there is an argument for switching the electricity used in domestic water heating to off-peak transport use and substituting one of several much cheaper forms of low grade heat, should the private electric vehicle become firmly established.

It is against this background that the trendy stirrers of the environmental lobby find it difficult — nay, impossible — to understand the Government's unshakeable commitment to throw up to \$1000 million into the Clutha scheme F, while cutting electricity tariffs to energy intensive industries to stimulate demand for subsidised electricity. The relevant Government departments appear not to have done any worthwhile analyses on alternative irrigation-electricity schemes for the Clutha, or a recent series of shovel shakings in

Straight Furrow makes clear. There have been no suggestions that the high dam at Clyde might be scaled down to ease the surplus of unsaleable electricity.

Can anyone, though preferably someone from Government, justify continuing investing in scheme F while electricity has to be given away at below costs of production? Or should I conclude that political resolve and fossilised thinking is mightier than economic reason?

When the Clutha fiasco has been answered, then it will be possible to attack the Comalco-Cook Strait cable-upper Waitaki power surplus problem.

Denis Hocking,  
for Friends of the Earth.

## Visa: it's a debit card

IN the December 20 issue of NBR, Peter V O'Brien, commenting on the proposed Commerce Commission enquiry into Visa card, constantly alludes to Visa cards as being credit cards, an assertion contrary to the truth in New Zealand. In most other countries where Visa operates, it is a true credit card but the BNZ has introduced Visa into this country as a debit card.

Whereas holders of credit cards, eg travel and entertainment cards such as Diners Club and American Express, enjoy credit on purchases of almost 60 days, a debit card holder has his or her demand deposit account debited almost immediately in exactly the same manner as a cheque. Since the advantages and disadvantages of each type of plastic card are quite dissimilar, it is disappointing that Mr O'Brien either was unaware of these differences, or saw fit not to distinguish between them.

SD Murphy,  
Auckland.

# Ratepayers demand relief in wake of revaluation

by Bute Hewes

AUCKLAND faces the prospect in 1979 of learning the answer to the ancient riddle about what happens when an irresistible force meets an immovable object.

The irresistible force in this case is the inevitable demand for higher rates on homes. The immovable object is the sheer inability of many property-owners to pay.

Young couples heavily mortgaged at high interest, elderly people who put their life savings into homes for their old age, are already finding it costs more than they can afford simply to live in their own homes.

The problem began a year ago when Auckland City Council revalued properties in its area and began assessing rates on the new valuations.

When rate demands arrived later in the year, many homeowners found they were up by 50 or 60 per cent. In some instances, they had risen by 100 per cent or even more.

The protest began and has kept up unabated. It has made Aucklanders, ratepayers and councillors alike, more acutely aware that their city has problems unique in New Zealand.

One of these, in a word much used by the Mayor, Sir Dove-Myer Robinson, is fragmentation.

Mayor Robble's council controls the original City of Auckland in which 150,000 people live. Another 650,000 live in 20 separate cities and boroughs, each with its own council, making up what is loosely known as Metropolitan Auckland.

This fragmentation, Robble firmly asserts, causes a wasteful duplication of local body services. Amalgamation would tidy up Auckland, municipally speaking, into a

much more economic and efficient city.

That may be a long-term step towards reducing rates, but it cannot happen quickly enough to bring the immediate relief ratepayers are seeking. They have looked for other solutions.

One suggestion is the abolition of the city council's own traffic department. The Ministry of Transport should do the job, ratepayers say, as it does elsewhere. That would save a cool \$4.5 million of rates money.

Councillors react to this, claiming that revenue from traffic fines almost covers the cost. Indeed, if they can only fine a few more motorists, the traffic department will actually become a profit-maker. It is not an argument that enraptures ratepayers in this car-owning city.

Another suggestion is that the city council should relinquish some of the amenities it provides not only for its own residents but for the whole of Auckland.

Long ago, when Auckland was a much smaller, it established its zoo and art gallery. It is proud of both. But they are still maintained out of city rates, to the tune of about \$3 million a year, and used by people from 20 other cities and boroughs as well.

So why not spread that cost fairly among all councils, ratepayers ask. The Auckland Regional Authority, they point out, is the obvious body to run such amenities, making them a charge on all Aucklanders.

That would be possible only if the ARA were willing. It is not. After all, it has problems enough of its own, without taking on more.

Ratepayers have had little contact with the ARA, largely because it levies its money from city and borough councils, not directly from property owners. These levies are built into rate demands, and this year 18 cents of each rate dollar collected by the city council will be passed on to the ARA.

Aucklanders have become aware of the ARA mainly through its buses. Fares go up, causing fewer people to go by bus, so fares go up again in an attempt to cover lost revenue.

Buses are the biggest single item in the ARA budget, running at \$8.5 million of rates money to meet operating losses. Next year, they will take \$11.5 million, and the over-burdened ratepayers are not happy about that.

The confused ratepayers, and even some new councillors, find it hard to grasp the complexities of why all the money is needed, how it is raised, and how it is shared out.

But one fact has stood out, and more than anything has infuriated the homeowners who faced steep rate increases: owners of commercial properties actually paid an average of 30 per cent less in 1978 rates than in the previous year.



MAYOR ROBBIE  
fragmentation.

Commercial properties actually paid an average of 30 per cent less in 1978 rates than in the previous year.

This was one result of property revaluation. Auckland, it seems, is oversupplied with big office blocks, many of them owned by banks and insurance companies, so the paper values of such buildings were reduced.

That left residential ratepayers, with values of their homes increased, footing an even bigger proportion of the total rates bill. No councillor has been able to explain, to the satisfaction of angry ratepayers, how this came about.

The demand has grown for differential rating, already widely and successfully adopted by other New Zealand cities. But councillors are cool towards the idea, for reasons which they have also yet to explain.

The councillors are planning their main hopes on central government to devise ways of relieving pressure on ratepayers. But the word from Wellington has not been encouraging.

Some far-sighted councillors

believe that a better relationship between central and local government — not necessarily financial — may be the eventual solution to the problem.

Parliament has been too ready to impose new obligations on councils, binding them to carry out statutory duties in certain ways. Too often the result has been that councils are lumbered with bureaucracy and festooned with red tape imported from Wellington.

Councillors, who are usually part-time politicians and full-time businessmen, would prefer to run local bodies on sounder business management principles, if only Parliament would give them latitude to do so.

It is to Parliament, probably, that ratepayers and councillors will finally go, not as enemies but as allies, to seek a new deal for local government. And since November 25, the chances seem marginally better that they will get it.

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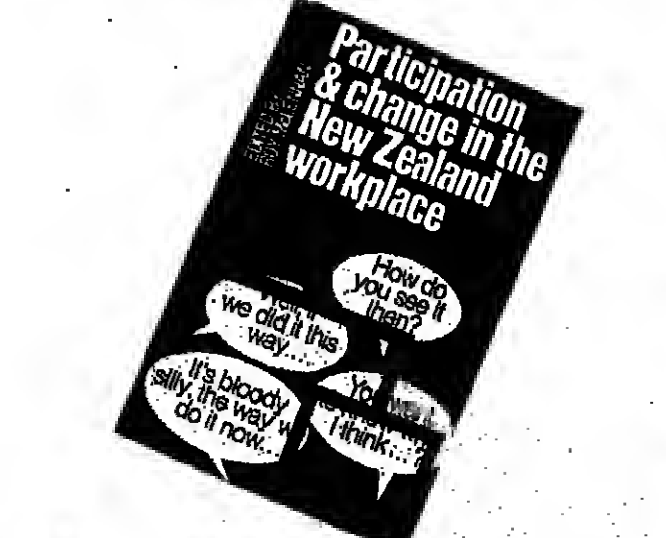
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# Road cartage law: anomalies under investigation

Belinda Gillespie  
"YOU can't get it right first time," said Transport Minister Colin McLachlan of the Road User Charges Act, passed in 1977. A pre-election promise to look at anomalies in the law has resulted in the setting up of an industry-government working party which first met early in December.

The five-member committee — one each from the Ministry of Works, Transport, Treasury, and the Prima Minister's Department, and one from the Road Transport Association — will consider all aspects of the Road User Charges Act. The transport industry is to prepare a paper towards a report which will be completed by February and circulated to concerned organisations for comment.

Bernard Gresham, executive-director of the Road Transport Association, is disappointed with the omission of some areas from the terms of reference of the working party, particularly the matter of governmental contribution to National Road Board revenue. As things stand, the Government will pay nothing from 1980 on, though previously there has been some contribution from the Consolidated Fund.

The fact that central Government benefits from good roads is generally recognised, and in other countries, as well as New Zealand, the Government pays a share. The RTA and others including the previous Opposition have been pushing for a governmental contribution amounting to one sixth of NRB revenue. But the Ministry of Transport has declared this to be the subject of a political decision outside the terms of reference of the working party.

Though all subscribe to the "user pays" principle behind the Act, anomalies and problems of administration and enforcement have been the subject of gripes by the transport industry since its operation began.

Bob Martin, president of the RTA, covered some of the complaints at the annual conference to Rotorua. The "double-fisted move" of extending the road-rail competition limit to 150km and imposing the new road user charges had brought "radical upheaval" to the industry. The new limit meant open alder to some operators, who began to muscle in on each other's territory in their eagerness to get a slice of the 150km cake. Cartage rates began to fluctuate wildly, and "fly-by-night operators popped up from nowhere".

A minority, said Martin, found refuge in the maze of regulations and began operating illegally over the

loevitably run at a loss, which should be subsidised out of the public purse. The balance, however, should be a competitive and commercially viable operation.

Road transport would benefit from a "shakeup" in the Railways, which at present overcharges in areas where it has a monopoly creating pressure on road operators to act illegally. In others, as a subsidised operation, it undercuts.

The financial troubles of the Nationwide Transport Company, for example, were not helped by its loss of a contract to carry Toyotas thanks to the Railways' undercutting of the contract price.

Evidence that the Government should be treated with respect. Operators who are responsible for the freight they carry are irked by large numbers of people scrambling over and interfering with their loads. They claim also that railways inspectors and, in at least one case a Post and Telegraph vehicle driven by a transport official, have been involved in inspections.

While he supports law enforcement against illegal operators who stretch the 150km limit to their advantage, Gresham points out that the time-consuming legal processes involved have so far prevented any such convictions from being made.

Most of the law enforcement energy has been expended on the road user tax side, and this, says Gresham, could largely be avoided if the law were changed.

As well as requiring a task force to implement it, the present system of pre-payment for licences has caused liquidity problems for some firms. Further problems are caused by the difficulties of assessing the distance to be travelled, and the likelihood of distance licences expiring in transit.

While the long-term objective of the association is to study a tax system related to fuel at source, from a recent industry survey it seems that a system which combines pre- and post-payment of road tax is the best.

One aspect of law enforcement would become redundant, and liquidity problems overcome, if the law were changed so that an operator could buy a licence for, say, 5000km for a quarter.

Part could be prepaid, and at the end of the quarter the operator could pay the shortfall. Similarly, weight could be assessed for the quarter, instead of being changed every 1000km as is now the case.

As well as looking at ways of making the law less cumbersome, the working party will want to change the system so that penalties are more equitable.

When Nationwide Transport, one of New Zealand's larger operators, got off without a fine and a system of time payment for its unpaid revenue amounting to \$214,000, there was an angry reaction throughout the industry. The November editorial of Transport News said that the lack of uniformity for penalties was the most "bitter pill" the industry had had to swallow.

While the Nationwide case wasn't mentioned, examples were given of operators fined twice as much, for the same offence, from one area to another.

Another bee in the RTA's bonnet is the distance bills of the new road charges, which places a burden on rural operators.

An application for increases in road cartage rates was submitted by the association to the Secretary of Transport in March last year. The application's scope was recovery of road tax increases brought about by the Road User Charges Act, which dumped mileage tax and heavy traffic licences in favour of a charge for the use of roads by heavy vehicles.

The MOT agreed to an increase in the distance bills of the new road charges, which places a burden on rural operators.

Only one truck should be stopped at a time, says the RTA, and carriers' loads

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crease of 4.5 per cent in maximum rates in rural and route cartage rate schedules, and of 2.1 per cent in town cartage rates. But it did not go along with the transport industry's request to put rural route rates on a sliding scale in order to achieve equity for distance travelled.

The RTA appealed against the decision, which applied from April. It argued that a bigger increase was justified, and continued to press for a sliding scale.

The Ministry of Transport sat on the appeal till December 1, when the secretary's comments were finally sent to the RTA. With a hearing set for December 13, time was short for the RTA to prepare its case.

Gresham declared, however, that the association was generally pleased with the outcome of the appeal, which has been adjourned for further consideration. If the authority is unable to make a decision, the parties involved will be directed to come to an agreement — a sign, in Gresham's view, that "change is in the wind".

The Road Transport Association is pinning its

hopes for significant changes in the law on the composition of the new cabinet.

The return of Colin McLachlan as Minister was anticipated and welcomed by the industry, which has perceived in him an increasing desire to understand its view rather than stay under the thumb of Cabinet, according to Gresham.

But McLachlan's was a voice in the wilderness in the previous Cabinet, whose members, apart from Peter Gordon, were considered apathetic in transport matters.

New members Merv Wellington, Ben Couch, and Warren Cooper, however, were all in the Caucus Transport Committee and are thought to be well-informed on transport matters, having been deeply involved in the Road User Charges Act.

Mike Minogue has publicly criticised the Act for its administrative and enforcement difficulties and suggested that it is due for urgent improvement.

On the Opposition side, Sir Basil Arthur and Eddie Ibaey, strong on transport and influential in the Labour Party, will probably continue to press for changes to the Act.

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BY SPIRO ZAVOS

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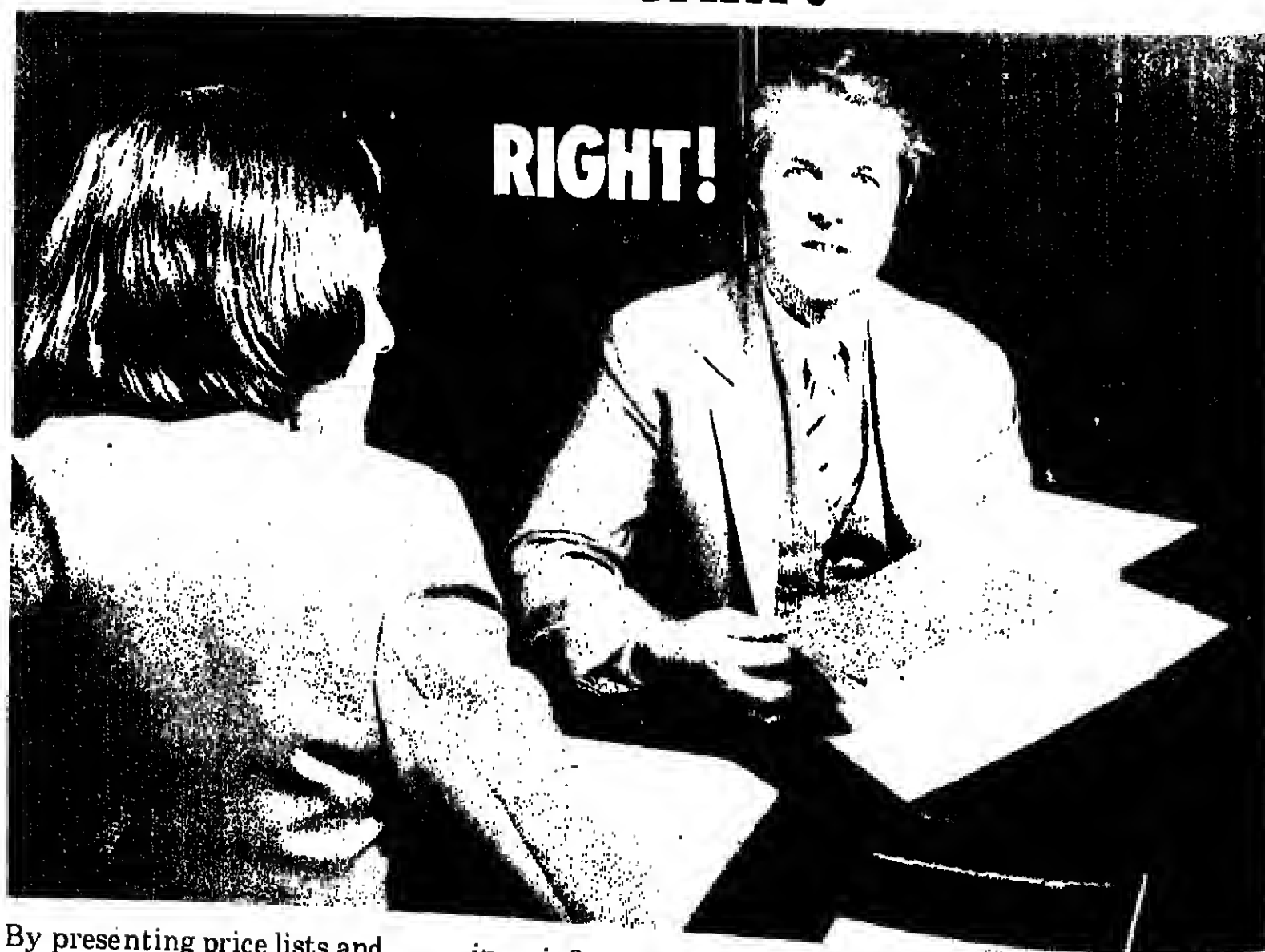






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# NZR: running at a loss, ninth year in a row

by Bob Stott

NEW ZEALAND Railways accounts for this financial year are bound to record a deficit for the ninth year in succession. For each of the past eight years, the "net earnings before interest" figure has been a loss: 1978, \$87.8 million; 1977, \$12 million; 1976, \$83 million; 1975, \$45.3 million; 1974, \$8.6 million; 1973, \$3.4 million; 1972, \$4.3 million; 1971, \$7.6 million.

In 1970 the result was a surplus of \$5.8 million and the year before that a surplus of \$3.5 million.

The annual result in the years before that was usually a surplus, with only occasional deficits. That pattern prevailed through the 1950s and 1960s.

In recent months Railways goods traffic has fallen away in line with the generally recessionary conditions, while wage costs have climbed at a rate at least equal to the general rate of inflation.

The alternative courses of action are few — rates and fares can be increased until the books balance, services can be cut, or a deficit can be budgeted for.

The Government has opted for a bit of each — some rate increases, some service cut-backs and a lot of deficit.

Why a railway loses money so easily is not widely understood. The disadvantage of the railway system is that it is an entity unlike any other mode of transport, and has fixed costs which are high and can be easily identified.

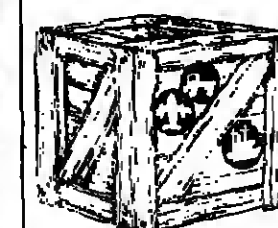
A railway comprises land and buildings, tracks and associated structures (bridges, tunnels, and so on), trains and signals, workshops and offices... and staff.

Most of a railway's considerable resources and people are necessary before even a handful of trains can run, but traffic can be increased to a marked degree without a corresponding increase in resources and staff.

Viaducts need painting whether they carry six or 60 trains a day. The extra cost of running more trains is slight indeed.

Figures showing as a percentage the main items of NZR expenditure in the year to March 31, 1978, help make the point: Wages, 57.5 per cent; other personnel costs, 4.8 per cent; fuel — for locomotives, road vehicles and ferries, 8.1 per cent; stores and materials, 14.3 per cent; depreciation, 6.4 per cent; miscellaneous, 11.1 per cent.

More than sixty per cent of total railway expenditure goes



TRANSPORT

on wages, much of it to people who maintain track, or paint stations, or repair signals and so on.

By contrast, 1976 figures show a typical rural road carrier's expenditure as 18.8 per cent on fuel, 0.5 per cent on oil, 5.1 per cent on tyres, 18.3 per cent on repairs, 3.6 per cent on licences and insurance, 28.6 per cent on drivers' wages, 13.5 per cent on vehicle depreciation, 6.8 per cent on office salaries and 6.2 per cent miscellaneous.

These percentages will be shifted as the road user charges are fully implemented, but these charges are not fixed costs — they are levied on vehicles actually in

use. If traffic falls, so does a carrier's bill for the charges.

Note the difference between road and rail expenditure on fuel — with rail the figure is 6.1 per cent; with road, 18.8 per cent. If more trains are run, more fuel is used, but as a percentage of total costs fuel is a minor item compared with the road carrier's operation. Conversely, running fewer trains cuts the NZR fuel bill, but this is of no real account. With the road carrier, running fewer trucks makes a difference.

A different picture would emerge if the total costs of the road system could be compared with the total rail cost.

There is an enormous investment in roads and service stations, carriers' trucks and private cars, and the Ministry of Transport says road accidents in 1976 were running at a rate equal to an annual cost of \$160 million. Beside that accident cost figure the NZR loss pales into insignificance... almost.

New Zealand has joint venture airports, where costs are shared by local and central government. If the full cost of buying land, building runways and terminals, installing and operating air traffic control

radar and other aids was charged to the airlines, would air transport be profitable?

If harbour boards lost their incomes from endowment land and had to recover all costs from users, would sea transport be profitable?

A better appreciation of the railways' achievement would be gained if the NZR produced a set of annual accounts tailored more to the unique characteristics of rail systems and less to traditional book-keeping.

It all depends on one's viewpoint — a railway either runs at an annual deficit of say \$50 million, or it provides \$50 million worth of subsidies to the public at large.

For instance, the 1978 annual report notes "The loss on railway suburban services was \$6,383,000." Thus during the year the NZR made a \$6.4 million grant to people who have no car and must rely on public transport, and people who have a car but are willing to forgo its use.

Because the information in NZR annual reports is rather sketchy it is not possible to give specific examples, but in 1978 many specific goods transport tasks were performed at a rate less than cost.

When such low cost transport is confined to a specific route or region it is dubbed regional development and regarded as a fine thing. When it is lumped into a national total it's a railway deficit and an indication of the outmoded nature of rail transport and an example of the inefficiency of State enterprises.

The NZR should produce not only its statutory report to Parliament, but also an annual report to its shareholders — the public — explaining some of these points.

It would be necessary to separate the costs of services which the NZR is obliged by the community to run at less than cost (the suburban services for example) and the rest might be an end-of-year picture not nearly as bleak. Such a move could lead to a wider re-thinking. With the "social" services out of the way attainable financial targets could be more easily set, a move beneficial in both the general PR and staff morale fields.

The final step would be to pay NZR from some other account for providing social services, either urban or rural. This is the path British Rail has embarked on.

## Only one NZ vintner signs up for wine expo

BILLED as the first truly international wine expo since the turn of the century, the World Wine Expo in Singapore in May is expected to attract up to 400 exhibitors. But so far only one New Zealand winemaker has signed up — Montana.

Other New Zealand winemakers are cribbing at the \$10,500 price tag charged by the organisers for the 2½ week show. The organisers, Australia-based Expo of World Wines Pty Ltd, provide travel to Singapore, accommodation and so exhibitors' stall and freezing for cases of wine for this fee. And the New Zealand exhibitor can write off 150 per cent of his expenses on the export incentive scheme, while the Australian exhibitor can write off only 80 per cent of his expenses.

To attract New Zealand exhibitors the organisers'

local representative, New Zealand wine consultant Ron Small, is offering a cheaper package deal for a New Zealand pavilion. He said that as far as he knew, New Zealand would be the only country with its own national pavilion.

Montana's marketing manager Itoh Storey said he saw Singapore and Hong Kong as a good potential market for New Zealand wines. But successful marketing there would involve an education process.

Cook's marketing man Grant Willoughby did not share Montana's enthusiasm. Singapore's duty-free status, combined with the high rates from New Zealand, made it difficult for New Zealand wines to compete with good French wines on that market, he said.

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## Tribunal adds confusion to confusing situation

YOU will probably remember the TV commercial which showed a rubbish-strewn beach with a discarded Leopard beer can prominently in the foreground. It urged you to "be a tidy Kiwi. Only lazy people litter". And you may have seen where it was classified as a bear advertisement by the Broadcasting Tribunal and hence banned on the grounds that it was in breach of the rules prohibiting any broadcast advertisement "designed to promote the general consumption of alcoholic beverages".

Now there is a hoary old adage which says that of only must justice be done but it

must also be seen to be done. This implies surely that the verdict, and the reasons leading to it, must be expressed in precise, clear and, preferably, simple terms. The first sentence of the Tribunal's decision reads as follows: "Mr C C Werry of Waiuku has complained about a 20 second film sponsored on TV Two by Leopard Breweries Limited." (What, exactly, is a 20 second film? Hardly a feature or a documentary. What, precisely, does the Tribunal mean by sponsored?)

Obviously, TV, knowing the rules better than most, would have classified it as a public service message rather than an advertisement and certainly, although it achieves good exposure for the pack, it does not actively promote the product.

In the opinion of the Tribunal, TV 2 was wrong in running it because in clause 1 of the decision it states: "The Tribunal is satisfied that the



ADMARK

film constitutes an advertisement for the Leopard Export brand of beer", and in clause 2, "Leopard Breweries have paid for this advertisement which we find is a 'programme' that promotes the consumption of liquor". So what was a sponsored film now becomes a paid advertisement and a programme. Which is more than a little confusing.

When Leo Breweries sponsors sports events on TV, it gets plenty of name

exposure, too, and we think deservedly. Are the cases all that different? The position could be a little clearer if words like sponsor, ad, advertisement and programme, which have clear technical meanings, were used in the appropriate way. If the terminology used is the result of the way the regulations are worded, then get them changed.

After all, broadcasting is in the business of communications.

Leading retailer pushes ad commission barrow

WOOLWORTHS, New Zealand's largest retailer, has taken as the Newspaper Publishers Association on the question of commissions on

retail advertising. The NPA recommends that its members pay no agency commission on retail advertising. Woolworths, which has been a member of the NPA since 1974, says that its members should pay only the ad agency commission on non retail ads. Varying discounts are offered by the 45 NPA member papers for retail advertising.

Woolworths would like its ad agency, Colenso, to receive 20 per cent commission for its retail ads, in line with commissions paid on all non retail ads.

Otherwise, Woolworths threatens, it will place its ads with television and radio where the normal 20 per cent commissions apply.

Woolworths marketing manager Iulph Parsons said his company produced its own ads in-house. If Colenso were paid a commission, Parsons said, then Woolworths could drop its ad department and have the work done by

Colenso. Woolworths total retail billings are just under \$1 million. Eighty-five per cent of this is spent on print advertising. Parsons conceded that papers gave a discount on retail ads. But he said the discount was to be paid to agencies for advertising. So in effect, he said, retailers provided the ad, the papers' ad revenue, and the agencies' ad revenue. Also, Parsons pointed out that retail press ad rates were higher than for other retail sales.

This is not the first time question of retail commissions on advertising has come up. For some 30 years, Parsons said, the Woolworths comes of a crunch New Zealand's newspaper. Television has been the main source of the retail scene and television agencies have been taking an increasing number of accounts and can be expected to place in business where they get commission.

The newspapers will see a hefty increase in newspaper prices from Tasman Paper. When the "world price" of newsprint has been decided, and this could be rates up.

New Zealand agencies point to many overseas examples where commissions are paid on retail ads. One agency with a number of retail accounts summed up the situation succinctly: "The NPA has put the agencies in the position of competing with the very media we feed."

The man involved are breaking the law, but they don't see themselves as criminals — neither do the vast majority of the public or the law enforcement agencies who enjoy cheaper, fresher apples as a result of this apple smuggling.

But the law says that apple growers must sell all apples and pears destined for resale only to the Apple and Pear Board... at what growers consider ridiculously low prices.

Retailers, by law, must buy only from the board, at what they consider ridiculously high prices.

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## Smuggling of contraband from the back blocks

by Warren Berryman

A PRIVATE truck rolls in from Hawke's Bay in the dead of night and pulls up behind an Auckland supermarket. Only muffled sounds and whispers emerge from the loading bay as the contraband is shifted into the market.

Some miles away in Henderson, other trucks are making their clandestine nocturnal rounds from the back blocks to properties closer to the main highways.

Big and respectable businessmen are making handsome profits out of the operation.

The commodity being smuggled and sold on the black market is not cannabis or heroin — but apples.

The man involved are breaking the law, but they don't see themselves as criminals — neither do the vast majority of the public or the law enforcement agencies who enjoy cheaper, fresher apples as a result of this apple smuggling.

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has been virtually impossible to enforce.

In Auckland, where apples are grown within miles of the country's biggest consumer market, virtually all the apples consumed are bought either from the grower at his orchard gate or from a retailer via the black market.

Hawke's Bay growers smuggle an estimated 1 million cases of apples a year to Auckland and the Rotorua-Taupo markets.

Only 20 to 25 per cent of the Auckland region's apple crop goes through the board. Of this percentage most is Granny Smiths, in oversupply on the local market and intended for export. The remaining Auckland apples going through the board are mainly surplus apples that the grower can't sell at his own gate or on the black market. But the board is bound to buy so long as the quality reaches its minimum requirements.

If this happens the board is stuck with last month's variety of apples, which it tries to offload on the retailer (by refusing to supply the next variety to ripen) while the gatekeeper is busy selling the latest variety of apples fresh off the tree to the consumer.

Most of the small proportion of apples supplied to the Auckland retailers by the board last year had to be transported from Hawke's Bay and Nelson at the board's expense.

The board's legal monopoly

Black marketeers deal in forbidden fruit

scene, Pilkington says. Pilkington estimates that about 95 per cent of Auckland's total apple and pear production is sold on the black market. He is in a good position to know. Pilkington, an ex-fruit grower and self-confessed black marketer, is a past president of the Auckland Retail Fruitgrowers' Federation.

Pilkington says the fruit wholesalers who act as the board's agents are compelled to help him with information. But the wholesalers working at the city markets said they would be reluctant to give the board's inspectors information likely to hurt one of their retail customers or grower suppliers. Many of the wholesalers, while they must act as board agents or stop trading in apples and pears, are known to favour the free market auction system which permits to other fruit and vegetables.

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Auckland grower and board opponent Anthony Sunde suggested that the policeman was also a consumer, and loath to track down a grower whose

## An apple of discord

THE New Zealand Apple and Pear Marketing Board is offering apple growers and retail fruiters a new deal designed to curtail the blackmarketing and gate sales that almost wrecked the board's apple marketing system last season.

By offering higher prices to apple growers and lower prices to retailers, the board hopes to take the profit out of apple blackmarketing and smuggling, and to make retail fruiters' prices more competitive with those charged by growers at the orchard gate.

The new deal is expected to result in a loss to the board, at least for the first half of the season.

But the board can now sustain a loss to strengthen its legislated monopoly on the local market. The board enjoyed bumper export earnings of more than \$13 million in 1977, due to poor growing conditions in the northern hemisphere. This year's profit (not yet announced) is expected to reach \$12 million. Apart from these last two years the board has had an ailing track record of heavy deficits in 11 of the 30 years of its existence, and only small profits in the remaining years.

The prime function of the board is to maintain high prices for apples and pears by keeping these fruits in relatively short supply. It does this by withdrawing fruit from the market and converting it to juice or juice concentrate.

The processing operation is unprofitable, but it regulates the supply and thus the price level of locally marketed apples.

The board's new deal responds to pressure, including threats of a boycott of the board's apples, from the New Zealand Retail Fruitgrowers' Federation.

Retail Fruitgrowers' Federation president Jim Lowe last year complained that the Apple and Pear Board

was driving the retail fruiters out of the apple market.

Last February the board was paying apple growers an average price of 8.6 cents a kg for uncoloured gravenstein apples. It sold these apples for a minimum of 40 cents a kg to the retailer. The retailer added a 40 per cent markup and sold to the public for 64 cents.

Often the board would pay as little as 3.7 cents a kg for apples and resell them for as much as 47 cents a kg to the retailer.

The grower could sell his apples at the gate for double the price offered by the board, and still undercut the retailer by more than two-thirds.

Gatesellers sold fruit fresh as soon as it became ripe. The retailer, relying on supplies from the board, couldn't get his first supplies of apples until weeks after they had come on the market at the farm gate.

As a result, apples moved from their traditional 20 per cent of the retail fruiters' turnover down to a mere 3 per cent last season.

Apple blackmarketing became widespread. The retailers, supported by many growers, called for a free market for apples and pears.

The board, in conjunction with the New Zealand Fruitgrowers' Federation, spent \$40,000 in 1978 on a market research study prepared by Messrs Research Centre. This report pointed to the unworkable aspects of the board's monopoly in the local apple market and recommended a free market for locally marketed apples.

The board buried this report. The new deal is an attempt to allow the price mechanism to combat blackmarketing where policing has failed.

So far the new deal extends only to early-season apples, gravensteins, albanys, beauty, and oratia beauty. To encourage growers to supply the board, they will be paid 80 per cent of the wholesale price charged to the retailers.

Many Auckland apple growers see the board's new deal as a move to wipe out the gateseller. The Government



RETAIL FRUITERS ... new deal.

THE Retail Fruitgrowers' Federation's general manager J Bremner at a meeting in Auckland last year with complaints that gatesellers were putting them out of the apple business.

Bremner said there was no way the board could compete with the gateseller on price, and was selling some fruit in Auckland at a loss.

Foodtown's vice president of produce, Dick Marsh, said his chain's sales had reached an all time low.

"Even our own staff buy their apples from the grower's gate. We haven't got the freshness or price," he said.

This year, the board is offering growers and retailers a new deal. But Foodtown will continue to

fight for a free market, Marsh said.

Foodtown is being supported by other Auckland supermarket chains.

J BREMNER... board cannot compete with gateseller on price.

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Many Auckland apple growers see the board's new deal as a move to wipe out the gateseller. The Government

has empowered the board to collect a levy from all growers on apple whether these growers supply the board or not. Thus, the grower who sells his whole crop from the gate can foresee the day when the board will use its own levy money to put him out of business.

Disident growers in Auckland say they will not supply the board with apples in spite of the offer of higher prices. They will continue to undercut the retailers' price selling direct to the consumer.

By and large, the board has its greatest support in areas most distant from the large local consumer markets, and the least support in Auckland. Disident Auckland growers see no reason why they should subsidise the grower in, for example, Alexandra, where distance from the market increases the transport and handling costs that must be borne by all the board's suppliers.

Lowe said he was prepared to give the board's new deal a go. He still maintains that the retail fruit trade is "burdened with bureaucratic over-legislation which is too often anomalous, not policed, unenforceable, and is just plain stupid".

Auckland director of the Fruitgrowers' Federation and strong board supporter, Horie Skelton, said that a free market system would result in wild price fluctuations for apples and pears following fluctuations in supply.

A free market would force some growers out of business, Skelton said.

But disident growers point out that many apple growers also grow stone fruit. Stone fruit is sold on a free market basis. And these growers claim that growth and profits in the stone fruit industry have been greater than for apples and pears.

A free market, the disident growers agree, might lead to price fluctuations. But a free market is self regulating and costs nothing to operate.

The board employs just under 300 people to regulate the production of New Zealand's 1550 growers. In addition, there is the army of delegates (one for every 10 growers) and full time staff of the Fruitgrowers' Federation that must be paid from the growers' production.

The costs to the grower of the board's administration can best be measured in terms of the price differential between the 10 cents a kg paid by the board to the grower and the average 57 cents charged by the board to the retailer for apples.

Even with this huge markup the board claims to have made an average profit of only 0.83 cents a kg on apples and pears sold on the local market.

The bulk of the board's markup is not spent in the unprofitable processing scheme used to keep consumer prices high by creating shortages, goes to pay for packaging and distribution.

Somewhat the free market — or as the board would have it, "black market" — manages to pay the growers double the board's prices, absorbs the packing and distribution costs, and still make a profit.

New deal or not, Auckland growers are unlikely to flood the board with apples this season. Many have a considerable investment in roadside stalls and coolstores. For many, opposition to the board is a matter of principle — not price.

# The secrets of a successful Australian business trip.

by Peter Nelson  
New Zealand Sales Manager - TAA.



One of the most important things you can do for the firm you represent on a business trip, is to present a confident, successful image of yourself. Your ability as a businessman, and therefore that of the company you represent, is so often judged by your ability to organise yourself. And the time when you need to be most organised — when you're making new and important business contacts — is the time when you're in a strange country, away from your usual office facilities and services.

What you need at a time like this is a friendly travelling personal assistant/secretarial service that is completely at fault with all the local services and customs. And this is exactly what TAA provides.

TAA — your assistant at the airport and your secretary in the sky.

TAA knows that one of your prime needs is to arrive at your business appointments on time; that all your transport needs — both in the air and on the ground — must be co-ordinated to a fine degree. To ensure this, they have a huge frequency of flights to all Australian cities at convenient times of the day or night, and will make any reservations you need for accommodation or transport. For those urgent documents TAA's Jet Express messenger delivery service will help you achieve your contract deadlines. TAA takes pride in being one of the most punctual airlines in the world — you can rely on their advice about which flight to take to get you to any given point at any given time. Makes planning your day so easy.

Their in-flight services will impress you too. Of course you'll receive a meal or refreshment service with complimentary luncheon or dinner wine if you are travelling first class, depending on the time of day. This service in itself is a great time saver if you have a heavy schedule ahead. You can relax and enjoy TAA's comfortable and friendly in-flight service and arrive refreshed and unharassed. You can ask the hostess to mail any correspondence for you, or radio

ahead to book a Hertz, Budget or Avis rental car or a chauffeur-driven hire car to be ready at the airport when you arrive.



TAA's great 'Sneak-a-week' plan for rejuvenating weary businessmen.

This you really must experience. You owe it to yourself (not to mention your wife and the boss!). While you're in Australia, it costs so little to 'sneak-a-week' — or even a long weekend for a break that will bring you back feeling like a new man. (Or at least a better version of the old one. For example, 4 nights at Hobart's West Point Casino (ex Melbourne) could cost you less than \$NZ200.00. That includes room only, share twin accommodation at the Casino, return TAA economy fares, and return ground transfers in Hobart. It's a fabulous way to unwind at the end of a business trip. And if that doesn't appeal — TAA have literally hundreds of similar holiday packages to Surfer's Paradise, the Gold Coast, tropical islands, the outback — all the major cities and holiday resorts.

Get in touch with your nearest TAA NZ bonded travel agent. He'll give you more information about the many TAA services specially designed to take the hassle out of your Australian business trips — and (what's more important) help you present your most confident, successful image.



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# NBR BUSINESS WEEK

## Planning lessons to be learned from the Irish

Peter V O'Brien has just returned from a business trip to Ireland. He reports...

THE likely doings of the New Zealand Planning Council are a matter of interest (admittedly minor) when looking at developments for 1979. Since the council's formation, it has produced many words, but little material on concrete planning.

Whether 1979 will be any different probably depends on the council's attitude to the country's problems.

The council, chaired by economist Sir Frank Holmes, is not cheap. Apart from the

direct funding through the Estimates, hidden costs are incurred as the council calls on other Government departments and agencies.

If the council needs to see a concrete example of planning in a community comparable with New Zealand, it could (instead of having people jaunting around Australia) take a good look at the recent White Paper published by the Irish Government. Since Ireland has a three million population, is agriculturally based, with growing second industry, and has a rapidly growing GNP in real terms (although still behind New Zealand totally and on a per

head basis), that document may be relevant to what the Planning Council should be doing.

The White Paper, published by Minister of Economic Development, Martin O'Donoghue (an ex professor of economics, would you believe) on January 6, followed longer term papers Development for Full Employment taking the economy through to the mid 1980s and National Development 1977-80. The latest document is Programme for National Development 1979-81. It updates the 1977-80 paper by one year and sets targets for the current year.

Several points need to be noted about this approach to planning, before the local lads jump in. The first is flexibility. The objectives are stated broadly, and are acknowledged to depend on various political or semi-political attitudes or decisions, for example, wage demands, external factors, and price movements.

The old National Development Conference in New Zealand set various targets, several of which were not met.



SIR FRANK HOLMES... council could learn from Irish.

Because they came to be looked on as God-given goals, there was an adverse reaction when the country failed to achieve some of them.

The second point is that the targets "roll on", in that the three-year plan is updated every year in light of the previous year's out-turn. The Irish Government may have been lucky in that its 1978 targets were achieved with remarkable consistency.

"The targeted increase in national output of 7 per cent was achieved and was not constrained by external factors. However, incomes increased faster than had been envisaged with the consequence that the employment increase was somewhat below target and inflation was somewhat above target. The Exchange borrowing requirement was close to the target of 13 per cent of GNP."

The third point is the mere fact that these matters are published at the beginning of every year. It is obviously foolish to think that the goals are also the work of the Deity the Irish Opposition had a lot to say about the White Paper in the manner of Oppositions everywhere), and a quality foolish to think that they can operate in a vacuum. In a country which has lightning wildcat strikes, particularly in public services like postal

services, telephones and bus transport; where wages demands start off incredible and are then adjusted to just amazing; and where external forces can have a considerable influence, any targets are subject to modification.

But at least there is an expression of where the economy, and society, should be going. We do not have that in New Zealand. We have general talk, in vague terms, including the apparently new concept that if we all love each other things will be alright. That concept was around for many centuries before the Planning Council came on the scene.

The Planning Council has said, rightly, that there is more to planning than just economics. The Irish Papers acknowledge that point. They refer to, and set goals for,

societal services, health, education, social welfare, development and the environment, urban transport, inner city development, the film industry, housing, and include a broad statement of social policy.

We will probably hear the usual range of objections to why New Zealand cannot do such work. No doubt some will say things are different, the people are different, the government is different, the system of government is different, and so on.

The probability is that we have got ourselves into a habit of talking when we should be doing, and cannot get ourselves out of the habit.

Unless we do change, the day is fast approaching when New Zealand jokes will replace Irish jokes.

## Air Pacific climbing into big league

Special Correspondent

THE Fiji-based airline Air Pacific is looking for more and bigger aircraft to try to climb into the big league among trans-Pacific operators.

Among aircraft under consideration are the Air New Zealand DC-8 and a Boeing 727 from Air Nauru.

Either way Air Pacific could afford only to lease aircraft and not buy, according to the airline's New Zealand manager, Del Mannerling.

Fiji is about to sign a new civil aviation agreement with the United States, under which it will get rights to fly to Pago Pago, Guam and Hawaii, as well as Portland, Seattle and San Francisco in return for landing rights in Fiji for Continental Airlines.

This follows discussions between the two Governments last November prior to the talks between American and New Zealand officials - which also opened the way to Con-

tinental's officially being given landing rights here.

Air Pacific already flies services connecting Fiji, Suva, Marouango, Nuku'alofa and Auckland and Brisbane.

Apart from expanding its flights to Auckland with a direct Nauru-Auckland service, Air Pacific is also looking at going into Sydney and Melbourne as well as utilising its rights on the American West Coast.

But the airline's financial position is precarious. It made a profit of \$226,000 last year following five years of heavy losses, including a loss of \$1 million in the previous year.

The move to get bigger aircraft must come, says Air Pacific chairman Don Alden in his annual report, if the airline is to become fully competitive and if Fiji is to keep its share of tourist traffic from Australia and New Zealand.

## Analysing annual accounts

by Peter V O'Brien

SINCE The Canterbury Frozen Meat Co. produced its 1978 report, all freezing companies have had a mark against which to measure their annual presentations.

The second meat company report to be issued, that of R & W Hallaby Ltd, falls to meet the CFM standard.

Hallaby's profit and loss account tells us that "Net Operating and Trading Profit after providing for working and administration expenses and taxation was \$3,069,043, compared with \$2,104,557 in the previous year."

CFM published a breakdown of its revenue sources, a breakdown of expenses, and full details on the tax impositions, including figures for the various allowances and incentives.

Hallaby follows the traditional freezing company practice and, in a note to the accounts, invokes the outdated statutory provision:

"(a) In accordance with the provision of the Companies Accounts (Freezing Works Companies) Exemption Order 1986-185, this company has been exempted from the following requirements of the Eighth Schedule of the

Companies Act 1985:

- (1) The requirements of paragraph 7 insofar as it requires any provision for tax to be separately stated.
- (2) The requirements of paragraphs (d) and (g) of subclause (1) of paragraph 13."

That jargon allows freezing companies to hide their tax liabilities, for reasons which have little weight in the late 1970s, and even less when the full publication in the CFM annual report is taken into account. The world is still going around in spite of CFM's decision. The Christchurch-based company is still making a profit, and not suffering at competitors' hands, after publishing the information expected from large public companies operating in essential industries.

Given the lack of information in the Hallaby accounts, it is impossible to work out what happened to revenue and expenses last year. The group's performance, therefore, has to be taken on the trust of the textual material in the report.

On the credit side (since we have so far engaged in sustained criticism of the

company) Hallaby does produce information on the changes in the current assets and liabilities position. A short passage shows that this requirement can be met simply, and without a massive number of words.

"It will be noted in the balance sheet that there is a very substantial lift in bank overdraft which is matched by stocks and debtors. These movements reflect the higher prices paid for livestock, increased processing costs, and the extended killing season. Since balance date the stocks have been cleared at satisfactory prices."

A note shows that "meat and by-products" accounted for \$17,274,734-worth of the total \$20,998,411 tied up in stocks at balance date. That was 82 per cent of total stock value, compared with 77 per cent in 1977.

Livestock, store and raw materials, and manufactured products, accounted for the balance.

The company says stocks have been reduced since balance date. Since meat and by-products are recorded at "lower of cost or net realisable value", it would be interesting to know what the post balance date realisations have been. An overall rise in meat prices since Hallaby took the stocks into store could have provided a useful start to the current year.

This point could be relevant

## Italy cracks down on tax dodgers

Times

THE Italian Press is co-operating in a new drive to close the many loopholes in that country's tax system. It publishes the names of people who are alleged to have understated their income, or who in some cases have not filed a return at all, and quotes the amount of unpaid tax.

Tax offices are giving the newspapers the information to scare delinquents and discourage others who might be lured to follow their example.

Some of the case histories are revealing: a wealthy widow who reported an income of only a few hundred pounds a year when, the revenue men claimed, she actually was receiving several tens of thousands; the industrialists who under-estimated their annual earnings by 50 to 75 per cent, and the engineers in good jobs who "forgot" to make any returns at all.

Embarrassment of the

people concerned is the object of the exercise. If some people might accuse the Italian tax men of playing rough, their defence probably would be that they go to such drastic lengths for the lack of more orthodox means to bring delinquents to book.

In the past, evasion has been most common in the field of personal income tax, specially on the part of the self-employed. But with the introduction of a value added tax a few years ago, evasion reached a new peak.

The Internal Revenue Service is planning a counter-offensive. A three-year programme of overhaul and reorganisation has been announced to put it on a "war footing" by the end of 1981.

The loss to the Italian Treasury in 1978 has been estimated as high as 40,000bn lire or the equivalent of \$50 trillion - equal to 20 per cent of the total national income of the country.

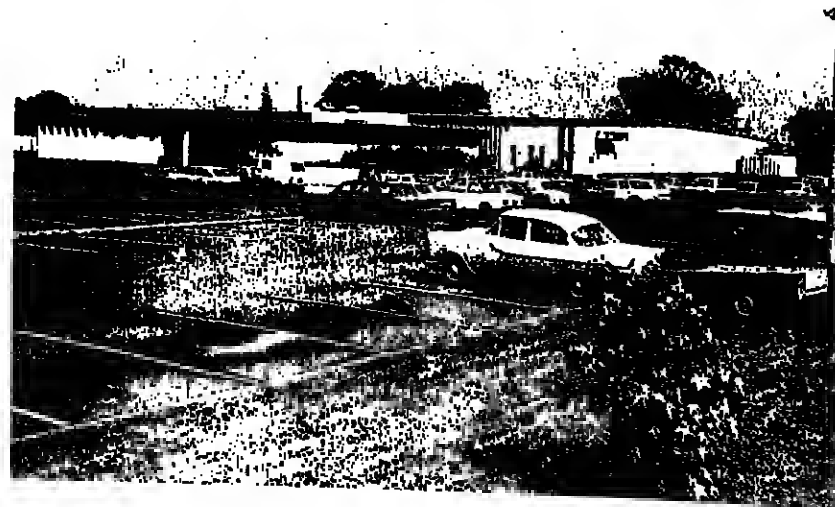
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## Key indicators

	Current Period	Previous Year	Per Cent Change
Consumers Price Index - all groups	1101	1000	+10.1
Mar Dec 1977 equals 1000			-15.01
Building Permit Issue	1000	1000	-15.01
Official Overseas Reserves	\$450,000m	\$593,321m	-24.3
Registered Unemployed - Incl. those on special work schemes	100,000	94,452	+6.36
1210 Share Price Index	25,780	25,125	+2.61
Reserve Bank Share Price Index	1274	1238	+2.91

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